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OFFICE OF REPORTS AND ESTIMATES

TRANSPORTATION GROUP

Weekly Intelligence Summary No. 80

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SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

The total net increase in the ocean-going merchant fleet of the USSR and the countries east of the Iron Curtain (including Finland and Yugoslavia) amounted to less than one percent during the first half of 1949, according to recent US Maritime Commission statistics. These data confirm the fact that the USSR is emphasizing the construction of craft smaller than 1,000 tons rather than ocean-going vessels under the shipbuilding program of the current Five-Year Plan, despite the strategic weakness in long-range transport operations which results from the Soviet Union's present relatively small merchant marine. (Item No. 1, B)

Further divergence in international transportation policy between Soviet Satellite and Western European nations has been evident in current discussions concerning rail transport of perishable foods held at the working party level by the Inland Transport Committee of the Economic Commission for Europe. (Item No. 2, C)

The re-entry of US-flag vessels into Shanghai, in defiance of the Nationalist blockade and without official US approval, may have serious implications. On 18 September, for the first time since the blockade was declared in June, US vessels (Isbrandtsen and Company's Flying Clipper and Flying Independent) entered the port carrying commercial cargoes. In the absence of clear-cut US opposition to trade with Chinese Communists, there may be further instances of US vessels entering Communist-controlled ports with the consequent danger of involving the US flag in serious incidents. (Item No. 3, A)

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Conclusion of current Yugoslav negotiations with Norway and The Netherlands for the purchase of DC-3 transports will depend upon UK concurrence with the US-proposed amendment to exempt Yugoslavia from the US-UK civil aviation policy toward the USSR and Satellite States. (Item No. 4, B)

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[REDACTED] has refused to conspire in a plan to furnish clandestinely a large quantity of DC-3 engines and spare parts to the Czechoslovak national airline, CSA. (Item No. 5, B)

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SECTION II. CURRENT DEVELOPMENTS

SURFACE TRANSPORTATION

1. The total net increase in the ocean-going merchant fleets of the USSR and the countries east of the Iron Curtain (including Finland and Yugoslavia) amounted to less than one percent during the first half of 1949, according to recent US Maritime Commission statistics shown in the accompanying table. These data confirm the fact that the USSR is emphasizing the construction of craft smaller than 1,000 tons, rather than ocean-going vessels, under the shipbuilding program of the current Five-Year Plan, despite the strategic weakness in long-range transport operations which results from the Soviet Union's present relatively small merchant marine.

In spite of numerous Soviet efforts to acquire ocean-going shipping in Western Europe (see TG Weekly No. 71), such attempts have been largely unsuccessful and do not appear to have been pursued with sufficient determination to indicate that increased ocean tonnage has been assigned a high priority as yet in Soviet strategic or economic planning. The USSR is apparently reconciled for the present to little more than a replacement program, maintaining its merchant fleet at approximately its present size while improving its efficiency. Meanwhile, shipbuilding activity for the account of some of the other Iron Curtain countries in their own and foreign shipyards has not yet appreciably increased their fleets.

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(See table on following page)

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SOVIET AND EASTERN EUROPEAN MERCHANT FLEETS
(Ocean-Going Vessels of 1,000 GRT and Over)
In Thousands of Deadweight Tons

<u>Flag</u>	<u>CARGO</u>		<u>TANKER</u>		<u>TOTAL FLEET*</u>	
	<u>12-31-48</u>	<u>6-30-49</u>	<u>12-31-48</u>	<u>6-30-49</u>	<u>12-31-48</u>	<u>6-30-49</u>
USSR	1302.8**	1314.6**	188.4**	188.4**	1788.2**	1800.0**
BULGARIA	7.2	10.7	0.0	0.0	7.2	10.7
FINLAND	540.0	535.6	68.5	68.5	628.4	627.3
HUNGARY	1.2	1.2	0.0	0.0	1.2	1.2
POLAND	183.1	175.5	9.3	9.3	223.5	216.1
RUMANIA	5.7	4.2	0.0	0.0	18.9	15.7
YUGOSLAVIA	252.6	250.6	9.4	9.4	284.7	282.7
Total	2292.6	2292.4	275.6	275.6	2952.1	2953.7

*Includes other types

**Excludes US-owned Lend-Lease Vessels. This tonnage totaled
 785,800 deadweight tons as of 30 June 1949

2. Further divergence in international transportation policy between Soviet Satellite and Western European nations has been evident in current discussions concerning rail transport of perishable foods held at the working party level by the Inland Transport Committee (ITC) of the Economic Commission for Europe (ECE).

The principal item on the working party agenda is a study of the most efficient use and development of refrigerated rail transport. The East-West divergence of policy has centered about a proposal, to which at least six Western European nations are already committed, for the establishment of an international corporation in which all European railway administrations might participate. Under the plan, shares issued in the international organization, to be called Interfrigo, would be exchanged for the existing refrigerator equipment of participating national railway administrations and additional equipment to be manufactured by them. All European nations were invited to join Interfrigo. The Satellite railway administrations, however, have refused to enter into this type of arrangement and have alternatively proposed through the Czechoslovak and Polish delegates to ITC a program of equipment pooling under bilateral arrangements. (Confidential)

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3. The re-entry of US-flag vessels into Shanghai, in defiance of the Nationalist blockade and without official US approval, may have serious implications. On 18 September, for the first time since the blockade was declared in June, US vessels (Isbrandtsen and Company's Flying Clipper and Flying Independent) entered the port carrying commercial cargoes. The entries were made without major incident, although the master of one of the vessels reported that his ship was stopped by a small Chinese Nationalist naval craft at the mouth of the Yangtze. (The US Assistant Naval Attaché, Shanghai, states that this vessel is now moored near the two US-flag vessels, having apparently defected later to the Communists).

The Communists are intensely interested in stimulating trade through Shanghai and North China ports. In the absence of clear-cut US opposition to trade with the Chinese Communists, therefore, there may be further instances of US vessels entering Communist-controlled ports, with the consequent danger of the US flag being involved in serious incidents. Nationalist bombing of Communist naval craft or ports, for example, might result in damage to US merchant vessels, or even their sinking. There is a possibility, furthermore, that US vessels might be sabotaged in port by Nationalist agents in the hope of creating an incident between the US Government and the Communist regime. Moreover, in the event of firm US action seriously restricting trade with Communist China, any US vessel in Communist-controlled waters might be subject to seizure or other hostile action.

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CIVIL AVIATION

4. Current Yugoslav negotiations with Norway and The Netherlands for the purchase of DC-3 transports will not be immediately concluded in view of commitments made by the Norwegian and Dutch Governments to support the joint US-UK policy of denying aircraft and aviation equipment to the USSR and its Satellites. If the UK, however, concurs with the US-proposed amendment to exempt Yugoslavia from this policy, sales of civil aircraft, aviation equipment and supplies by Western European countries to Yugoslavia may be expected to take place immediately. Meanwhile, the recent Yugoslav inquiry as to whether the US would grant an export license for the shipment of 4,500 tons of 100-130 octane aviation gas may have been designed to test the willingness of the US to relax its trade policy vis-a-vis Yugoslavia to the extent of furnishing aviation fuel suitable for military aircraft. (Secret)

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